

VILLAGE OF MORRICE
SHIAWASSEE COUNTY
FINANCIAL STATEMENTS
FEBRUARY 28, 2005

AUDITING PROCEDURES REPORT
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Morrice		County Shiawassee
Audit Date 2-28-05	Opinion Date 8-15-05	Date Accountant Report Submitted to State:		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

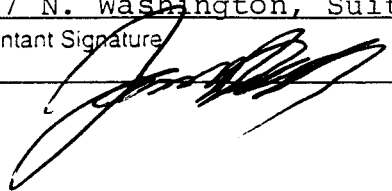
Certified Public Accountant (Firm Name) Demis and Wenzlick, P.C.			
Street Address 217 N. Washington, Suite 201	City Owosso	State MI	ZIP 48867
Accountant Signature 			

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Combined Balance Sheet - All Funds and Account Groups	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Types	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Funds	5
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types	6
Statement of Cash Flow - All Proprietary Funds	7
Debt Services Charges to Maturities on Bonded Indebtedness	8
Schedule of Indebtedness - 2001 Ford Crown Victoria	9
Schedule of Indebtedness - 1998 Chevrolet Dump Truck	10
Notes to Financial Statements	11 -19
FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS	
General Fund:	
Comparative Balance Sheets	20
Statement of Revenues, Expenditures and Changes in Fund Balance	21 -23
Special Revenue Funds:	
Comparative Combining Balance Sheet - All Special Revenue Funds	24
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - All Special Revenue Funds	25
Major Street Fund:	
Comparative Balance Sheet	26
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	27

TABLE OF CONTENTS (CONTINUED)

Local Street Fund:

Comparative Balance Sheet	28
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	29

Municipal Street Fund:

Comparative Balance Sheet	30
Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual	31

Transfer Station Fund:

Comparative Balance Sheet	32
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	33

Senior Center

Balance Sheet	34
Statement of Revenues, Expenditures and Changes in Fund Balance	35

Internal Service Funds

Comparative Balance Sheet	36
Statement of Revenues, Expenditures and Analysis of Changes in Fund Balance - Budget and Actual	37
Statement of Cash Flows	38

Enterprise Fund:

Sewer Fund:

Comparative Balance Sheet	39
Statement of Revenues, Expenses and Retained Earnings - Budget and Actual	40
Statement of Cash Flow	41

TABLE OF CONTENTS (CONTINUED)

General Fixed Asset Account Group:

Balance Sheet 42

General Long-Term Debt Account Group 43

Downtown Development Authority

Balance Sheet 44

Statement of Revenues, Expenditures and Changes in Fund
Balance Sheet 45



DEMIS and WENZLICK, P.C.

Certified Public Accountants

217 N. Washington Street
Pabst Building, Suite 201
Owosso, MI 48867

989-723-8227 • FAX 989-725-5143
E-MAIL office@dw-cpa.com

Carol A. Demis
Jeanette Gaitskill
Janet E. Guru
Greg Irish
Janis K. Mead
Tammy Pappas
Peggy Ryan
Joyce M. Simmons
Gail Winnick, C.P.A.

James Demis, Jr., C.P.A.
LaVearn G. Wenzlick, C.P.A.
Lori S. Chant, C.P.A.
Geraldine Terry, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Honorable President
and Village Council
Village of Morrice, Michigan

We have audited the general purpose financial statements of the Village of Morrice, and its combining and individual fund financial statements as of and for the year ended February 28, 2005, as listed in the foregoing table of contents. These financial statements are the responsibility of the Village of Morrice management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and business-type activities as required by the Governmental Accounting Standards Board (GASB 34). Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. GASB 34 requires management's discussion and analysis which also has not been prepared.

In our opinion, except for the non-application of GASB 34, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Morrice as of February 28, 2005, and the results of its operations, and the cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles in the United States of America. Also, in our opinion, the combining individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of the individual fund and account groups of the Village of Morrice at February 28, 2005 and the results of operations of such funds and cash flows of individual proprietary and similar trust funds for the year ended in conformity with generally accepted accounting principles. Our examination was made for the purpose of forming an opinion on the combined financial statements taken as a whole and on the combining and individual fund financial statements.

The accompanying financial information, listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements of the Village of Morrice. The information has been subjected to the auditing procedures applied in the financial statements of the combined, combining, and individual fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Our report of comments and recommendations has been submitted under date of August 15, 2005.

Dennis and Wengert, P.C.

Certified Public Accountants

Owosso, Michigan
August 15, 2005

VILLAGE OF MORRICE
COMBINED BALANCE SHEET - ALL FUNDS, ACCOUNT GROUPS,
AND DISCRETELY REPORTED COMPONENT UNIT
FEBRUARY 28, 2005

	<u>Proprietary Fund Types</u>				<u>Account Groups</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Internal Service</u>	<u>Enterprise</u>	<u>General Fixed Assets</u>	<u>Long Term Debt</u>	<u>Comp. Unit</u>
ASSETS:							
Cash	\$19,628	\$49,986	\$24,867	\$ 95,799	\$	\$	\$311
Accts. Rec	3,570	336		57,148			
Due from Other Funds	32,409	28,781					
Fixed Assets (Net of Accum Dep. Issuing & Fin. Costs (Net of Accum. Amort. Amt. To be Provided				2,348,746	952,657		
				29,350			
	<u>\$55,607</u>	<u>\$79,103</u>	<u>\$24,867</u>	<u>\$2,531,043</u>	<u>\$952,657</u>	<u>3,166</u> <u>\$3,166</u>	<u>\$311</u>
LIABILITIES:							
Bank Over-Draft	\$	\$	\$	\$	\$	\$	\$
Accts. Pay	18,710	16,699	297	1,204			
Due to Other Funds	28,781	7,917	841	20,653			
Accrued Int. Payable				13,427			
Long-Term Debt				665,000		3,166	
	<u>\$47,491</u>	<u>\$24,616</u>	<u>\$ 1,138</u>	<u>\$ 700,284</u>	<u>\$ -0-</u>	<u>\$3,166</u>	<u>\$-0-</u>
FUND EQUITY:							
Contribution in Aid of Constr. (Net of Accum. Amort). \$	\$	\$	\$	\$1,508,500	\$	\$	\$
Investment in General Fixed Assets					952,657		
Retained Earnings				322,259			
Fund Bal.	<u>8,116</u>	<u>54,487</u>	<u>23,729</u>	<u>\$2,531,043</u>	<u>\$952,657</u>	<u>\$3,166</u>	<u>\$311</u>
	<u>\$55,607</u>	<u>\$79,103</u>	<u>\$24,867</u>	<u>\$2,531,043</u>	<u>\$952,657</u>	<u>\$3,166</u>	<u>\$311</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
COMBINED STATEMENT OF REVENUES; EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL TYPES
AND DISCRETELY REPORTED COMPONENT UNIT
YEAR ENDED FEBRUARY 28, 2005

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>COMPONENT UNIT</u>
REVENUES:			
Property Taxes	\$144,212	\$ 13,873	\$
Tax Admin. Fee	1,851		
State Shared Revenues	90,765	77,586	
Cable Franchise Fees	2,260		
Interest Income	369	781	3
Charges for Services		91,654	
Police & Liquor Control	633		
Licenses & Permits	2,342		
Fines	1,330		
Sale of Assets	-0-		
Assmts. & Misc.	<u>4,601</u>	<u>33,221</u>	
TOTAL REVENUES	\$248,363	\$ 217,115	\$ 3
EXPENDITURES:			
Village Council	\$ 10,576	\$	\$
Elections	183		
Clerk	15,401		
Treasurer	2,362		
Halls	18,664		
Police	84,858		
Dept. of Public Works	20,340		
Library	2,281		
Zoning	4,243		
General Administrative	112,220		
Streets		97,624	
Transfer Station		93,837	
Senior Center		12,095	
DDA		-0-	922
TOTAL EXPENDITURES	<u>\$271,128</u>	<u>\$203,556</u>	\$ 922
EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES)			
	\$ (22,765)	\$ 13,559	\$ (919)
OTHER FINANCING SOURCES (USES):			
Transfer In	\$ 9,600	\$ 10,000	\$ 1,000
Transfers Out	<u>(6,000)</u>	<u>(13,000)</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 3,600</u>	<u>\$ (3,000)</u>	<u>\$ 1,000</u>
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES			
	\$ (19,165)	\$ 10,559	\$ 81
Fund Balance March 1,	<u>27,281</u>	<u>43,928</u>	<u>230</u>
FUND BALANCE FEBRUARY 28,	<u>\$ 8,116</u>	<u>\$ 54,487</u>	<u>\$ 311</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRIS
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
YEAR ENDED FEBRUARY 28, 2005

	GENERAL FUND		SPECIAL REVENUE FUND		COMPONENT UNIT	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
REVENUES:						
Property Taxes	\$ 150,000	\$144,212	\$ 5,788	\$ 14,000	\$ 13,873	\$ 127
Tax Admin. Fee	-0-	1,851	(1,851)			
State Shared Rev.	91,000	90,765	235	74,000	77,586	(3,586)
Fines	1,500	1,330	170			
Cable Franchise Fees	2,500	2,260	240			
Interest Income	350	369	(19)	1,730	781	949
Police & Liquor Control	1,200	633	567			
License & Permits	2,500	2,342	158			
Charges for Serv.	-0-	-0-	-0-	102,200	91,654	10,546
Misc. Income	5,500	4,601	892	29,500	33,221	(3,721)
TOTAL REVENUES	\$ 254,550	\$248,363	\$ 6,187	\$221,430	\$217,115	\$ 4,315
EXPENDITURES:						
Village Council	\$ 15,000	\$ 10,576	\$ 4,424			
Elections	1,500	183	1,317			
Clerk	11,500	15,401	(3,901)			
Treasurer	2,600	2,362	238			
Halls	17,600	18,664	(1,064)			
Police	90,700	84,858	5,842			
Dept. Of Public Works	6,700	20,340	(13,640)			
Library	2,900	2,281	619			
Zoning	5,200	4,243	957			
General Admin.	123,643	112,220	11,423	144,537	97,624	46,913
Streets	-0-	-0-	-0-	100,821	93,837	6,984
Transfer Station				10,500	12,095	(1,595)
Senior Center						
DDA	-0-	-0-	-0-			
TOTAL EXPENDITURES	\$ 277,343	\$271,128	\$ 6,215	\$ 255,858	\$203,556	\$ 52,302
EXCESS OF REVENUES OVER EXPENDITURES						
(EXPENDITURES OVER REVENUES)	\$ (22,793)	\$ (22,765)	\$ (28)	\$ (34,428)	\$ 13,559	\$ (47,987)
OTHER FINANCING SOURCES (USES):						
Transfers In	3,000	9,600	(6,600)	10,000	10,000	-0-
Transfers Out	(7,500)	(6,000)	(1,500)	(13,000)	(13,000)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	\$ (4,500)	\$ 3,600	\$ (8,100)	\$ 3,000	\$ (3,000)	\$ -0-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (27,293)	\$ (19,165)	\$ (8,128)	\$ (37,428)	\$ 10,559	\$ (47,987)
Fund Balance March 1,		27,281			43,928	
FUND BALANCE FEBRUARY 28,		\$ 8,116			\$ 54,487	
						\$ 311

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE ,
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 YEAR ENDED FEBRUARY 28, 2005

	<u>PROPRIETARY FUND TYPES</u>	
	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>
OPERATING REVENUES:		
Charges for Services	\$100,989	\$ 19,969
Sewer Hook-Ups	17,400	
Interest Income	1,851	142
Land Rent & Misc.	<u>4,560</u>	
	\$124,800	\$ 20,111
OPERATING EXPENSES:		
Salaries	\$ 26,943	\$ 4,053
Fringe Benefits	-0-	-0-
Operating Supplies	6,678	1,911
Repairs & Maintenance	11,220	2,110
Equipment Rental	-0-	
Professional & Contracted Serv.	9,000	
Utilities & Telephone	8,610	
Audit and Legal	6,000	500
Interest Expense	41,207	162
Amortization	2,096	
Depreciation	67,032	
Transportation	-0-	5,230
Insurance	4,206	2,000
Equipment	-0-	7,921
Lab Testing & Engineering	13,244	-0-
Principal on Long-Term Debt	<u>-0-</u>	<u>5,094</u>
TOTAL EXPENSES	\$196,236	\$ 28,981
Operating Income (Loss)	\$ (71,436)	\$ (8,870)
OTHER FINANCING SOURCES:		
Transfers In	\$ -0-	\$ 5,000
Transfers Out	<u>(6,600)</u>	<u>-0-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENSES	\$ (78,036)	\$ (3,870)
Non-Operating Revenues:		
Amortization of Contribution in Aid of Construction	<u>47,140</u>	
NET INCOME	\$ (30,896)	\$ (3,870)
Retained Earnings March 1,	<u>353,155</u>	<u>27,599</u>
RETAINED EARNINGS FEBRUARY 28,	<u>\$322,259</u>	<u>\$ 23,729</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
STATEMENT OF CASH FLOW
ALL PROPRIETARY FUNDS
YEAR ENDED FEBRUARY 28, 2005

	<u>PROPRIETARY FUND TYPES</u>	
	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ (30,896)	\$ (3,870)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	67,032	
Amortization-Financing Costs	2,096	
Amortization-Contribution in Aid of Construction	(47,140)	
(Increase) Decrease in Accounts Receivable	17,885	
Increase (Decrease) in Accounts Payable	(2,502)	189
(Increase) Decrease in Due to Other Funds	<u>17,961</u>	<u>250</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	\$ 24,436	\$ (3,431)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Bonds Payable	\$ <u>(25,000)</u>	\$ _____
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of Assets	\$ <u>(1,050)</u>	\$ _____
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (1,614)	\$ (3,431)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>97,413</u>	<u>28,298</u>
CASH AND CASH EQUIVALENTS END OF YEAR	\$ <u>95,799</u>	\$ <u>24,867</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for:		
Interest	\$ <u>41,670</u>	\$ <u>162</u>

DISCLOSURE OF ACCOUNTING POLICY

For purposes of the Statement of Cash Flows, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
ENTERPRISE FUND
DEBT SERVICE CHARGES TO MATURITY
ON BONDED INDEBTEDNESS
FEBRUARY 28, 2005

<u>YEAR ENDED</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>DEBT SERVICE CHARGES</u>
2005	\$ 25,000	\$ 40,320	\$ 65,320
2006	25,000	38,945	63,945
2007	30,000	37,545	67,545
2008	30,000	35,835	65,835
2009	30,000	34,095	64,095
Thereafter	<u>525,000</u>	<u>416,502</u>	<u>941,502</u>
	<u>\$665,000</u>	<u>\$603,242</u>	<u>\$1,268,242</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
SCHEDULE OF INDEBTEDNESS - 2001 FORD CROWN VICTORIA
FEBRUARY 28, 2005

The Village purchased a police car in the Motor Vehicle Pool Fund. The purchase was financed with a lease/purchase which has been capitalized with an interest rate of 6.7% per annum. The monthly payments are \$685. The original purchase price is \$28,613.

<u>YEAR ENDED</u>	<u>PAYMENT</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
February 28, 2006	\$ <u>2,739</u>	\$ <u>38</u>	\$ <u>2,701</u>
	\$ <u>2,739</u>	\$ <u>38</u>	\$ <u>2,701</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
SCHEDULE OF INDEBTEDNESS - 1998 CHEVROLET DUMP TRUCK
FEBRUARY 28, 2005

The Village purchased a dump truck in the Motor Vehicle Pool Fund. The purchase was financed with a loan from a local bank with an interest rate of 5.0% per annum. The monthly payments are \$438. The original purchase price is \$22,000.

<u>YEAR ENDED</u>	<u>PAYMENT</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
February 28, 2006	\$ <u>469</u>	\$ <u>3</u>	\$ <u>466</u>
	\$ <u>469</u>	\$ <u>3</u>	\$ <u>466</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Morrice conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

FUND ACCOUNTING

The accounting of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

GOVERNMENT FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

VILLAGE OF MORRICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

FIXED ASSETS

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Group, rather than in governmental funds. Public Domain ("infrastructure") general fixed assets consisting of certain improvements including buildings, but other than roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

This account group is not a fund. It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

VILLAGE OF MORRICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIXED ASSETS (CONTINUED)

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (Net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives used are as follows:

Infrastructure (Enterprise Funds)	39 - 50 Years
Equipment	5 - 10 Years

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting government and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception of this general rule is accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued.

All proprietary funds are accounted for using the accrual basis method of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

VILLAGE OF MORRICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS AND BUDGETARY ACCOUNTING

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in the Village to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted through passage of an ordinance.
4. The clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds and Enterprise Funds.
6. Budgets for the general, special revenue and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CASH AND INVESTMENTS

Investments are stated at cost or amortized cost, which approximate market. Cash includes amounts in demand deposits.

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

Short-term interfund loans are classified as "due from other funds" or "due to other funds" on the balance sheet. Transactions occurring between individual funds for goods provided or services rendered are also classified as "due to other funds" or "due from other funds" on the balance sheet.

RESTRICTED ASSETS

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for repayment are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

VILLAGE OF MORRICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting-under which purchase orders, contracts, or other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation-is utilized in the government fund types. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. There are no significant encumbrances at year end.

COMPENSATED ABSENCES

No liability is accrued at February 28, 2005 as it is less than one year's liability.

LONG-TERM OBLIGATIONS

The portion of long-term debt expected to be financed from expendable available financial resources is recognized as a liability of a governmental fund when due. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities are expected to be financed from proprietary fund operations are accounted for in those funds.

PROPERTY TAXES

Property taxes attach an enforceable lien on property by the county. Taxes are levied on June 30, and payable on October 20. The Township of Perry bills and collects the Village's property taxes. Property tax revenues are recognized when levied to the extent that they result in current receivables. The Village is permitted by the Municipal Finance law of the State to levy taxes up to 15 mills total. The Village Council has allocated 12.5787 mills for governmental services.

NOTE B - REPORTING ENTITY

For financial reporting purposes, in conformance with NCGA Statement No. 3, Defining the Governmental Reporting Entity, the Village of Morrice includes all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or dependent on the Village's executive or legislative branches (the Village Mayor or the Council, respectively). Control by or dependence on the village was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Village to finance any deficits that may occur or receipt of significant subsidies from the Village.

Based on the foregoing criteria, the Downtown Development Authority is included in the Village's annual report.

VILLAGE OF MORRICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005

NOTE C - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	2-29-04			2-28-05
	<u>BALANCES</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCES</u>
Land	\$ 10,918	\$	\$	\$ 10,918
Buildings and Improvement	606,230	1,653		607,883
Machinery and Equipment	233,213	53,756	(43,726)	243,243
Vehicles	<u>90,613</u>			<u>90,613</u>
	<u>\$940,974</u>	<u>\$55,409</u>	<u>\$ (43,726)</u>	<u>\$952,657</u>

NOTE D - SANITARY SEWER FUND OBLIGATIONS

On September 10, 1996, the Village of Morrice refinanced existing bonds payable and generated additional funding for the operation of its Sanitary Sewer System. These bonds mature on November 1, of each year and are payable with interest from 3.80% to 5.75% per annum.

The maturities of the bonds are as follows:

<u>YEAR ENDED</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u> <u>AMOUNT DUE</u>
2005	\$ 25,000
2006	25,000
2007	30,000
2008	30,000
2009	30,000
Thereafter	<u>525,000</u>
	<u>\$665,000</u>

VILLAGE OF MORRICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005

NOTE E - CASH AND CERTIFICATES OF DEPOSIT

The Village's deposits at February 28, 2005, consisted of cash and certificate of deposit at two financial institutions:

<u>INSTITUTION A</u>	<u>AMOUNT</u>	<u>FDIC INSURED</u>	<u>UNINSURED</u>
Demand Deposits	\$ <u>109,907</u>	\$ <u>100,000</u>	\$ <u>9,907</u>
	\$ <u>109,907</u>	\$ <u>100,000</u>	\$ <u>9,907</u>
<u>INSTITUTION B</u>			
Time Deposits	<u>80,684</u>	<u>80,684</u>	<u>-0-</u>
TOTALS	\$ <u>190,591</u>	\$ <u>180,684</u>	\$ <u>9,907</u>

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

At February 28, 2005, individual interfund receivables and payables were:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
Senior Center	\$	\$ 4,211
Sewer		20,653
Municipal Streets	17,443	
General Fund	32,409	28,781
Major Streets	11,338	
Transfer Station		3,706
Local Streets		2,998
Motor Vehicle		<u>841</u>
	<u>\$61,190</u>	<u>\$61,190</u>

NOTE G - DEFERRED COMPENSATION PLAN

On October 17, 2000, the Village established a deferred compensation package under IRS Code Section 457. This plan permits voluntary contributions to the plan. The Village matches contributions to a maximum of 6% of compensation. The Village contribution was \$4,995 during the year ended February 28, 2005.

VILLAGE OF MORRICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 28, 2005

NOTE H - GENERAL LONG-TERM DEBT

The Village financed two equipment purchases during the year ended February 28, 2004.

A 2001 Ford Crown Victoria was purchased by way of a lease/purchase contract. The cost of the police car was \$28,613. The monthly lease payment is \$685, including interest at 6.7% per annum. The balance due is \$2,701.

A 1998 Chevrolet Dump Truck was purchased for \$22,000 and financed with a loan from a local bank. The monthly payment of \$438 including interest at 5% per annum. The balance due is \$465.

NOTE I - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621, of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a activity basis. The approved budgets of the township for these budgetary funds were adopted to the activity level.

During the year ended February 28, 2005, the Township incurred expenditures in certain budgetary line items which were in excess of the amounts appropriated as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General - Clerk	\$ 11,500	\$ 15,401	\$ (3,901)
General - Halls	17,600	18,664	(1,064)
General - DPW	6,700	20,340	(13,640)
General - Worker's Comp.	5,200	5,231	(31)
General - Street Lights	10,000	10,478	(478)
Local Streets	26,565	27,581	(1,016)
Senior Center	10,500	12,095	(1,595)
Sewer	180,775	196,236	(15,461)
DDA	-0-	922	(922)

VILLAGE OF MORRICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 28, 2005

NOTE J - LOCAL STREETS FUND DEFICIT

The Local Streets Fund has a deficit. A fund deficit is impermissible under P.A. 275 of 1980. A deficit elimination plan has been submitted to the Michigan Department of Treasury.

NOTE K - TRANSFER STATION FUND DEFICIT

The Transfer Station Fund has a deficit. A fund deficit is impermissible under P.A. 275 of 1980. A deficit elimination plan has been submitted to the Michigan Department of Treasury.

NOTE L - SENIOR CENTER

The Village has taken over the management and operation of the Senior Citizen's Center during the year end February 28, 2005. Accordingly, the revenues and disbursements are not for a full year.

FINANCIAL STATEMENTS

OF

INDIVIDUAL FUNDS

VILLAGE OF MORRICE
GENERAL FUND
COMPARATIVE BALANCE SHEETS
FEBRUARY 28, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
Cash in Bank	\$19,628	\$31,637
Due from Other Funds	32,409	9,737
Delinquent Property Taxes Receivable	1,310	921
Cable TV Royalty Receivable	<u>2,260</u>	<u>2,346</u>
	<u>\$55,607</u>	<u>\$44,641</u>

LIABILITIES AND FUND BALANCE

Accounts Payable	\$18,710	\$17,133
Due to Other Funds	<u>28,781</u>	<u>227</u>
	\$47,491	\$17,360
 Fund Balance	 <u>8,116</u>	 <u>27,281</u>
	<u>\$55,607</u>	<u>\$44,641</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED FEBRUARY 28, 2005 AND 2004

	AMENDED	2005	ACTUAL	2004
	BUDGET	ACTUAL	(OVER) UNDER BUDGET	ACTUAL
REVENUES:				
Current Property Taxes	\$150,000	\$144,212	\$ 5,788	\$135,055
Tax Admin. Fee	-0-	1,851	(1,851)	1,751
State Shared Revenues	91,000	90,765	235	97,374
Cable Franchise Fees	2,500	2,260	240	2,346
License & Permits	2,500	2,342	158	3,426
Police Trng., Liq. Con.	1,200	633	567	1,105
Fines	1,500	1,330	170	1,954
Interest Income	350	369	(19)	183
Misc. Income	5,500	4,601	899	3,131
Sale of Assets	-0-	-0-	-0-	-0-
TOTAL REVENUES	\$254,550	\$248,363	\$ 6,187	\$246,325
EXPENDITURES:				
Village Council:				
Salaries	\$	\$ 8,440	\$	\$ 9,000
Dues & Misc.		2,136		62
TOTAL VILLAGE COUNCIL	\$ 15,000	\$ 10,576	\$ 4,424	\$ 9,062
Elections:				
Salaries	\$	\$ 183	\$	\$
Printing & Publishing				76
TOTAL ELECTIONS	\$ 1,500	\$ 183	\$ 1,317	\$ 76
Clerk:				
Salaries	\$	\$ 14,966	\$	\$ 16,102
Supplies/Other		435		226
TOTAL CLERK	\$ 11,500	\$ 15,401	\$ (3,901)	\$ 16,328
Treasurer:				
Salaries	\$	\$ 1,925	\$	\$ 2,100
Supplies		437		410
TOTAL TREASURER	\$ 2,600	\$ 2,362	\$ 238	\$ 2,510

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED FEBRUARY 28, 2005 AND 2004

		<u>2005</u>		<u>2004</u>
	<u>AMENDED</u> <u>BUDGET</u>	<u>ACTUAL</u>	ACTUAL (OVER) UNDER <u>BUDGET</u>	<u>ACTUAL</u>
EXPENDITURES:				
Halls:				
Capital Outlay	\$	\$ 2,972	\$	\$
Supplies		5,191		4,022
Utilities & Tele.		4,800		7,129
Repairs & Maint.		<u>5,701</u>		<u>7,904</u>
TOTAL HALLS	\$ 17,600	\$ 18,664	\$ (1,064)	\$19,055
Police:				
Salary	\$	\$ 67,096	\$	\$70,566
Training		484		750
Operating Supp.		4,255		6,286
Telephone		2,023		1,722
Transportation		<u>11,000</u>		<u>15,198</u>
TOTAL POLICE	\$ 90,700	\$ 84,858	\$ 5,842	\$94,522
Dept. Of Public Works:				
Salaries	\$	\$ 16,927	\$	\$17,977
Contract Labor		-0-		-0-
Supplies		3,413		4,022
Capital Outlay		<u>-0-</u>		<u>-0-</u>
TOTAL DEPT. OF PUBLIC WORKS	\$ 6,700	\$ 20,340	\$ (13,640)	\$21,999
Library:				
Utilities & Tele.	\$	\$ 2,281	\$	\$ 2,492
TOTAL LIBRARY	\$ 2,900	\$ 2,281	\$ 619	\$ 2,492
Zoning:				
Salaries	\$	\$ 4,243	\$	\$ 4,580
Prof. Fees		-0-		-0-
Printing & Supp.		<u>-0-</u>		<u>39</u>
TOTAL ZONING	\$ 5,200	\$ 4,243	\$ 957	\$ 4,619

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (CONTINUED)
YEARS ENDED FEBRUARY 28, 2005 AND 2004

		<u>2005</u>		<u>2004</u>
	AMENDED		ACTUAL	
	BUDGET	ACTUAL	(OVER)	ACTUAL
			UNDER	
			BUDGET	
EXPENDITURES:				
General Administrative:				
Drains	\$ 7,000	\$ 1,694	\$ 5,306	\$ 3,314
Worker's Comp. Ins.	5,200	5,231	(31)	4,941
Insurance	11,955	11,955	-0-	18,335
Payroll Taxes	17,500	15,985	1,515	15,252
Pension	5,200	4,995	205	5,301
Health Ins.	-0-	-0-	-0-	200
Legal, Acctg.				
& Eng.	53,145	49,161	3,984	38,899
Street Lights	10,000	10,478	(478)	8,711
S.U.I.	2,218	2,218	-0-	-0-
Contingency/Misc	<u>11,425</u>	<u>10,503</u>	<u>922</u>	<u>2,986</u>
TOTAL GENERAL ADM.	\$ <u>123,643</u>	\$ <u>112,220</u>	\$ <u>11,423</u>	\$ <u>97,939</u>
TOTAL EXPENDITURES	\$ <u>277,343</u>	\$ <u>271,128</u>	\$ <u>6,215</u>	\$ <u>268,602</u>
EXCESS OF REVENUES				
OVER (UNDER)				
EXPENDITURES	\$ (22,793)	\$ (22,765)	\$ (28)	\$ (22,277)
OTHER FINANCING SOURCES:				
Transfers In	3,000	9,600	(6,600)	14,400
Transfers Out	<u>(7,500)</u>	<u>(6,000)</u>	<u>(1,500)</u>	<u>(14,200)</u>
	\$ (4,500)	\$ 3,600	\$ (8,100)	\$ 200
EXCESS OF REVENUES				
OVER (UNDER)				
EXPENDITURES AND				
OTHER FINANCING				
SOURCES	\$ <u>(27,293)</u>	\$ (19,165)	\$ <u>(8,128)</u>	\$ (22,077)
Fund Balance March 1,		<u>27,281</u>		<u>49,358</u>
FUND BALANCE FEBRUARY 28,		\$ <u>8,116</u>		\$ <u>27,281</u>

The accompanying notes are an integral part of the financial statements.

SPECIAL REVENUE FUNDS

MAJOR STREET FUND

Major Street Fund is used to receive all Major Street monies paid to the Village by the state, to account for monies received from special tax levies for street improvement purposes, to account for monies received from General Fund contributions and to account for construction, maintenance and other authorized operations to all streets classified as Major Street.

LOCAL STREET FUND

Local Street Fund is used to receive all Local Street monies paid to the Village by the state, to account for monies received from special tax levies for street improvement purposes, to account for monies received from General Fund contributions and to account for construction, maintenance and other authorized operations to all streets classified as Local Street.

MUNICIPAL STREET TAX FUND

Municipal Street Tax Fund is used to account for taxes segregated for street oriented operations.

TRANSFER STATION

This fund is used to account for monies to operate the refuse collection station.

SENIOR CENTER

This fund is to account for the operations of the Morrice Senior Center.

VILLAGE OF MORRICE
COMPARATIVE COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
FEBRUARY 28, 2005 AND 2004

	<u>2005</u>					<u>2004</u>	
	MAJOR STREET FUND	LOCAL STREET FUND	MUNICIPAL STREET FUND	TRANSFER STATION FUND	SENIOR CENTER FUND	COMBINED	COMBINED
ASSETS:							
Cash in Bank	\$18,483	\$2,048	\$16,229	\$ 5,483	\$ 7,743	\$49,986	\$55,622
Due from Other Funds	11,338	-0-	17,443	-0-		28,781	227
Other Rec.	<u>117</u>	<u>219</u>	<u>-0-</u>	<u>-0-</u>		<u>336</u>	<u>335</u>
	<u>\$29,938</u>	<u>\$2,267</u>	<u>\$33,672</u>	<u>\$ 5,483</u>	<u>\$ 7,743</u>	<u>\$79,103</u>	<u>\$56,184</u>
Bank Overdraft	\$	\$	\$	\$	\$	\$	\$ 1,080
Accts. Payable	120	2,999		11,133	2,447	16,699	6,432
Due to Other Funds				3,706	4,211	7,917	4,744
Fund Balance	<u>29,818</u>	<u>(732)</u>	<u>33,672</u>	<u>(9,356)</u>	<u>1,085</u>	<u>54,487</u>	<u>43,928</u>
	<u>\$29,938</u>	<u>\$2,267</u>	<u>\$33,672</u>	<u>\$ 5,483</u>	<u>\$ 7,743</u>	<u>\$79,103</u>	<u>\$56,184</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
ALL SPECIAL REVENUE FUNDS
YEARS ENDED FEBRUARY 28, 2005 AND 2004

	<u>2005</u>					<u>2004</u>	
	Major Street Fund	Local Street Fund	Municipal Street Fund	Transfer Station Fund	Senior Center Fund	Combined	Combined
REVENUES:							
Property Taxes	\$	\$	\$13,873	\$	\$	\$ 13,873	\$ 12,857
State Revenue							
Sharing	60,873	16,713				77,586	74,234
Charges for Serv.				91,654		91,654	78,415
Interest Income	445	72	133	93	38	781	427
Assmts. & Misc.	<u>19,937</u>	<u>99</u>		<u>43</u>	<u>13,142</u>	<u>33,221</u>	<u>1,651</u>
TOTAL REVENUES	\$ 81,255	\$ 16,884	\$14,006	\$91,790	\$13,180	\$217,115	\$167,584
EXPENDITURES:							
Salaries	\$ 18,927	\$ 13,442	\$	\$24,569	\$ 4,211	\$ 61,149	\$ 45,107
Miscellaneous	-0-	-0-		2,313		2,313	-0-
Operating Supp.	4,115	577		9,277	1,869	15,838	28,896
Pav. & Sidewalks	40,586					40,586	43,918
Equip. Rental	6,414	13,555				19,969	23,244
Hauling				51,151		51,151	56,349
Util. & Tele.				1,413	6,015	7,428	1,446
Repairs				5,114		5,114	1,079
Bank Fees		7	1			8	12
TOTAL EXPEND.	\$ <u>70,042</u>	\$ <u>27,581</u>	\$ <u>1</u>	\$93,837	\$12,095	\$203,556	\$200,051
EXCESS OF REVENUES OVER (UNDER)							
EXPENDITURES	\$ 11,213	\$ (10,697)	\$14,005	\$ (2,047)	\$ 1,085	\$ 13,559	\$ (32,467)
OTHER FINANCING SOURCES (USES):							
Transfers In	\$	\$ 10,000	\$	\$	\$	\$ 10,000	\$ 9,500
Transfers Out	(<u>12,500</u>)	(<u>500</u>)				(<u>13,000</u>)	(<u>10,500</u>)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (<u>12,500</u>)	\$ <u>9,500</u>	\$	\$	\$	\$ (<u>3,000</u>)	\$ (<u>1,000</u>)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)							
EXPENDITURES AND OTHER USES	\$ (1,287)	\$ (1,197)	\$14,005	\$ (2,047)	\$ 1,085	\$ 10,559	\$ (33,467)
Fund Balance							
March 1,	<u>31,105</u>	<u>465</u>	<u>19,667</u>	(<u>7,309</u>)		<u>43,928</u>	<u>77,395</u>
FUND BALANCE							
FEBRUARY 28,	\$ <u>29,818</u>	\$ (<u>732</u>)	\$33,672	\$ (<u>9,356</u>)	\$ <u>1,085</u>	\$ <u>54,487</u>	\$ <u>43,928</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
MAJOR STREET FUND
COMPARATIVE BALANCE SHEET
FEBRUARY 28, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
Cash in Bank	\$18,483	\$33,442
Other Receivables	117	51
Due from Other Funds	<u>11,338</u>	<u>227</u>
	<u>\$29,938</u>	<u>\$33,720</u>

LIABILITIES AND FUND BALANCE

Due to Other Funds	\$ -0-	\$ 2,164
Accounts Payable	120	451
Fund Balance	<u>29,818</u>	<u>31,105</u>
	<u>\$29,938</u>	<u>\$33,720</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEARS ENDED FEBRUARY 28, 2005 AND 2004

		<u>2005</u>		<u>2004</u>
	AMENDED		ACTUAL (OVER) UNDER	
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>
REVENUES:				
State Shared Rev.	\$ 58,000	\$ 60,873	\$ (2,873)	\$ 58,307
Interest Income	400	445	(45)	235
Assmts. & Sales	200	1,241	(1,041)	1,251
Road Comm. Grant	<u>20,000</u>	<u>18,696</u>	<u>1,304</u>	<u>-0-</u>
TOTAL REVENUES	\$ 78,600	\$ 81,255	\$ (2,655)	\$ 59,793
EXPENDITURES:				
Salaries	\$	\$ 18,927	\$	\$ 16,205
Fringe Benefits		-0-		-0-
Operating Supplies		4,115		9,202
Paving & Sidewalks		40,586		23,773
Equipment Rentals		<u>6,414</u>		<u>11,073</u>
TOTAL EXPENDITURES	<u>\$102,205</u>	\$ <u>70,042</u>	\$ <u>32,163</u>	\$ <u>60,253</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	\$ (23,605)	\$ 11,213	\$ (34,818)	\$ (460)
OTHER FINANCING USES:				
Transfers Out	<u>(12,500)</u>	<u>(12,500)</u>	<u>-0-</u>	<u>(10,000)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)				
EXPENDITURES AND OTHER USES	\$ <u>(36,105)</u>	\$ (1,287)	\$ <u>(34,818)</u>	\$ (10,460)
Fund Balance March 1,		<u>31,105</u>		<u>41,565</u>
FUND BALANCE FEBRUARY 28,		\$ <u>29,818</u>		\$ <u>31,105</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
LOCAL STREET FUND
COMPARATIVE BALANCE SHEET
FEBRUARY 28, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
Cash in Bank	\$ 2,048	\$ 1,956
Other Receivables	<u>219</u>	<u>219</u>
	<u>\$ 2,267</u>	<u>\$ 2,175</u>

LIABILITIES AND FUND BALANCE

Accounts Payable	\$ 2,999	\$ 1,710
Fund Balance	<u>(732)</u>	<u>465</u>
	<u>\$ 2,267</u>	<u>\$ 2,175</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEARS ENDED FEBRUARY 28, 2005 AND 2004

		<u>2005</u>		<u>2004</u>
	AMENDED <u>BUDGET</u>	<u>ACTUAL</u>	ACTUAL (OVER) UNDER <u>BUDGET</u>	<u>ACTUAL</u>
REVENUES:				
State Shared Rev.	\$ 16,000	\$ 16,713	\$ (713)	\$ 15,927
Interest Earned	100	72	28	73
Miscellaneous	<u>-0-</u>	<u>99</u>	<u>(99)</u>	<u>-0-</u>
TOTAL REVENUES	\$ 16,100	\$ 16,884	\$ (784)	\$ 16,000
EXPENDITURES:				
Salaries	\$	\$ 13,442	\$	\$ 15,064
Fringe Benefits		-0-		-0-
Supplies		577		1,798
Equipment Rentals		13,555		12,171
Paving		-0-		4,533
Bank Fees		<u>7</u>		<u>12</u>
TOTAL EXPENDITURES	\$ <u>26,565</u>	\$ <u>27,581</u>	\$ <u>(1,016)</u>	\$ <u>33,578</u>
EXCESS OF REVENUES OVER				
(UNDER) EXPENDITURES	\$ (10,465)	\$ (10,697)	\$ 232	\$ (17,578)
Other Financing Sources:				
Transfers In	\$ 10,000	\$ 10,000	\$	\$ 7,500
Transfers Out	<u>(500)</u>	<u>(500)</u>	<u> </u>	<u>(500)</u>
	\$ 9,500	\$ 9,500	\$	\$ 7,000
EXCESS OF REVENUES AND				
OTHER SOURCES OVER				
(UNDER) EXPENDITURES	\$ <u>(965)</u>	\$ (1,197)	\$ <u>232</u>	\$ (10,578)
Fund Balance March 1,		<u>465</u>		<u>11,043</u>
FUND BALANCE FEBRUARY 28,		\$ <u>(732)</u>		\$ <u>465</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
MUNICIPAL STREET FUND
COMPARATIVE BALANCE SHEET
FEBRUARY 28, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
Cash in Bank	\$16,229	\$20,224
Due from Other Funds	<u>17,443</u>	<u>-0-</u>
	<u>\$33,672</u>	<u>\$20,224</u>

LIABILITIES AND FUND BALANCE

Due to Other Funds	\$ -0-	\$ 557
Fund Balance	<u>33,672</u>	<u>19,667</u>
	<u>\$33,672</u>	<u>\$20,224</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
MUNICIPAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEARS ENDED FEBRUARY 28, 2005 AND 2004

		<u>2005</u>		<u>2004</u>
	AMENDED		ACTUAL (OVER) UNDER	
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>
REVENUES:				
Property Taxes	\$ 14,000	\$ 13,873	\$ 127	\$ 12,857
Interest Earned	<u>100</u>	<u>133</u>	<u>(33)</u>	<u>81</u>
TOTAL REVENUES	\$ 14,100	\$ 14,006	\$ 94	\$ 12,938
EXPENDITURES:				
Paving	\$ 15,742	\$	\$ 15,742	\$ 15,612
Bank Fees	<u>25</u>	<u>1</u>	<u>24</u>	<u>-0-</u>
TOTAL EXPENDITURES	\$ <u>15,767</u>	\$ <u>1</u>	\$ <u>15,766</u>	\$ <u>15,612</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	\$ <u>(1,667)</u>	\$ 14,005	\$ <u>(15,672)</u>	\$ (2,674)
Fund Balance March 1,		<u>19,667</u>		<u>22,341</u>
FUND BALANCE FEBRUARY 28,		\$ <u>33,672</u>		\$ <u>19,667</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
TRANSFER STATION FUND
COMPARATIVE BALANCE SHEET
FEBRUARY 28, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
Cash in Bank	\$ 5,483	\$ -0-
Other Receivables	<u>-0-</u>	<u>65</u>
	<u>\$ 5,483</u>	<u>\$ 65</u>

LIABILITIES AND FUND BALANCE

Bank Overdraft	\$ -0-	\$ 1,080
Accounts Payable	11,133	4,271
Due to Other Funds	<u>3,706</u>	<u>2,023</u>
TOTAL LIABILITIES	\$14,839	\$ 7,374
 Fund Balance	 <u>(9,356)</u>	 <u>(7,309)</u>
	<u>\$ 5,483</u>	<u>\$ 65</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
TRANSFER STATION FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEARS ENDED FEBRUARY 28, 2005 AND 2004

		<u>2005</u>		<u>2004</u>
	AMENDED <u>BUDGET</u>	<u>ACTUAL</u>	ACTUAL (OVER) UNDER <u>BUDGET</u>	<u>ACTUAL</u>
REVENUES:				
Charges for Services	\$ 85,000	\$ 75,934	\$ 9,066	\$ 64,300
Sales of Bags	17,000	15,720	1,280	14,115
Interest Income	130	93	37	38
Misc. Income	<u>-0-</u>	<u>43</u>	<u>(43)</u>	<u>400</u>
TOTAL REVENUES	\$102,130	\$ 91,790	\$ 10,340	\$ 78,853
EXPENDITURES:				
Salaries	\$	\$ 24,569	\$	\$ 13,838
Miscellaneous		2,313		-0-
Supplies		9,277		17,896
Hauling		51,151		56,349
Utilities & Telephone		1,413		1,446
Repairs		<u>5,114</u>		<u>1,079</u>
TOTAL EXPENDITURES	\$ <u>100,821</u>	\$ <u>93,837</u>	\$ <u>6,984</u>	\$ <u>90,608</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	\$ 1,309	\$ (2,047)	\$ 3,356	\$ (11,755)
OTHER FINANCING USES:				
Transfers In	\$ -0-	\$ -0-	\$ -0-	\$ 2,000
Transfer Out	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES AND OTHER FINANCING USES	\$ <u>1,309</u>	\$ (2,047)	\$ <u>3,356</u>	\$ (9,755)
Fund Balance March 1,		<u>7,309</u>		<u>2,446</u>
FUND BALANCE FEBRUARY 28,		\$ <u>(9,356)</u>		\$ <u>(7,309)</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
SENIOR CENTER
FEBRUARY 28, 2005

ASSETS

Cash	<u>\$7,743</u>
------	----------------

LIABILITIES AND FUND BALANCE

Due to Other Funds	\$4,211
Accounts Payable	2,447
Fund Balance	<u>1,085</u>
	<u>\$7,743</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
SENIOR CENTER
YEAR ENDED FEBRUARY 28, 2005

	<u>AMENDED</u> <u>BUDGET</u>	<u>2005</u> <u>ACTUAL</u>	ACTUAL (OVER) UNDER <u>BUDGET</u>
REVENUES:			
Initial Deposit	\$ 3,500	\$ 9,914	\$(6,414)
Rentals	6,000	3,228	2,772
Interest Income	<u>1,000</u>	<u>38</u>	<u>962</u>
TOTAL REVENUES	\$10,500	\$13,180	\$(2,680)
EXPENDITURES:			
Telephone & Utilities	\$ 5,000	\$ 6,015	\$(1,015)
Office Expense	1,500	1,869	(369)
Salaries	<u>4,000</u>	<u>4,211</u>	<u>(211)</u>
TOTAL EXPENDITURES	\$10,500	\$12,095	\$(1,595)
EXCESS OF EXPENDITURES OVER REVENUES	\$ -0-	\$ 1,085	\$(1,085)
OTHER FINANCING SOURCES:			
Transfers In	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
EXCESS REVENUES AND OTHER SOURCES OVER EXPENDITURES	\$ <u>-0-</u>	\$ 1,085	\$ <u>(1,085)</u>
Fund Balance February 28,		\$ <u>1,085</u>	

The accompanying notes are an integral
part of the financial statements.

INTERNAL SERVICE FUNDS

MOTOR VEHICLE POOL FUND

Motor Vehicle Pool Fund is used to account for intergovernmental charges for operating expenses of vehicles of the police and Department of Public Works. Disbursements from this fund pay those various operating expenses. Accumulation of monies in this fund will be used for replacement of such vehicles.

VILLAGE OF MORRICE
MOTOR VEHICLE POOL FUND
COMPARATIVE BALANCE SHEET
FEBRUARY 28, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
Cash in Bank	<u>\$24,867</u>	<u>\$28,298</u>

LIABILITIES AND RETAINED EARNINGS

Due to Other Funds	\$ 841	\$ 591
Accounts Payable	<u>297</u>	<u>108</u>
	\$ 1,138	\$ 699
Retained Earnings	<u>23,729</u>	<u>27,599</u>
	<u>\$24,867</u>	<u>\$28,298</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
MOTOR VEHICLE POOL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND ANALYSIS OF CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEARS ENDED FEBRUARY 28, 2005 AND 2004

	<u>2005</u>		<u>2004</u>	
			ACTUAL (OVER) UNDER	
	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>
OPERATING REVENUES:				
Equipment Rentals	\$ 25,000	\$ 19,969	\$ 5,031	\$ 35,244
Fuel Tax				-0-
Interest Income	<u>150</u>	<u>142</u>	<u>8</u>	<u>37</u>
TOTAL REVENUES	\$ 25,150	\$ 20,111	\$ 5,039	\$ 35,281
OPERATING EXPENSES:				
Salaries	\$ 5,000	\$ 4,053	\$ 947	\$ 3,772
Fringe Benefits	-0-	-0-	-0-	-0-
Operating Supplies	2,500	1,911	589	1,671
Transportation	5,500	5,230	270	4,577
Repair & Maintenance	3,000	2,110	890	1,027
Equipment	10,000	7,921	2,079	14,190
Interest on Long-Term Debt	500	162	338	1,376
Audit	500	500	-0-	-0-
Insurance	2,000	2,000	-0-	2,000
Princ. on Long-Term Debt	<u>5,500</u>	<u>5,094</u>	<u>406</u>	<u>12,094</u>
TOTAL EXPENSES	\$ <u>34,500</u>	\$ <u>28,981</u>	\$ <u>5,519</u>	\$ <u>40,707</u>
NET INCOME (LOSS)	\$ (9,350)	\$ (8,870)	\$ (480)	\$ (5,426)
OTHER FINANCING SOURCES:				
Transfers In	<u>10,000</u>	<u>5,000</u>	<u>5,000</u>	<u>19,000</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENSES	\$ <u>650</u>	\$ (3,870)	\$ <u>4,520</u>	\$ 13,574
Retained Earnings March 1,		<u>27,599</u>		<u>14,025</u>
RETAINED EARNINGS FEBRUARY 28,		\$ <u>23,729</u>		\$ <u>27,599</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE
MOTOR VEHICLE POOL FUND
STATEMENT OF CASH FLOWS
YEARS ENDED FEBRUARY 28, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ (3,870)	\$ 13,574
Increase (Decrease) in Payables	189	(417)
Increase (Decrease) in Due to Other Funds	<u>250</u>	<u>591</u>
NET CASH PROVIDED BY (USED) OPERATING ACTIVITIES	\$ (3,431)	\$ 13,748
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>28,298</u>	<u>14,550</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ <u>24,867</u>	\$ <u>28,298</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for:		
Interest	\$ <u>162</u>	\$ <u>1,376</u>

DISCLOSURE OF ACCOUNTING POLICY:

For purposes of the Statement of Cash Flows, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of the financial statements.

ENTERPRISE FUND

Sanitary Sewer Fund - To account for the provision of sewer services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration (utility director), operations, maintenance, financing and related debt service, and billing and collection.

VILLAGE OF MORRICE
SEWER FUND
COMPARATIVE BALANCE SHEET
FEBRUARY 28, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
CURRENT ASSETS:		
Cash	\$ 15,115	\$ 17,616
Accounts Receivable	<u>46,653</u>	<u>57,463</u>
	\$ 61,768	\$ 75,079
RESTRICTED ASSETS:		
Cash - Bond Reserve	80,684	79,798
LONG-TERM ASSETS:		
Accounts Receivable	10,495	17,569
PROPERTY, PLANT AND EQUIPMENT:		
Sewer Project	\$3,417,048	\$3,426,272
Accumulated Depreciation	<u>(1,068,302)</u>	<u>(1,011,544)</u>
	\$2,348,746	\$2,414,728
UNAMORTIZED DISCOUNTS:		
Issuing and Financing Costs	\$ 48,203	\$ 48,203
Accumulated Amortization	<u>(18,853)</u>	<u>(16,757)</u>
	\$ 29,350	\$ 31,446
	<u>\$2,531,043</u>	<u>\$2,618,620</u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES:		
Due to Other Funds	\$ 20,653	\$ 2,692
Accounts Payable	1,204	3,243
Accrued Interest Payable	13,427	13,890
Current Portion - Long-Term Debt	<u>25,000</u>	<u>25,000</u>
	\$ 60,284	\$ 44,825
LONG-TERM LIABILITIES:		
Bonds Payable	640,000	665,000
FUND EQUITY:		
Contribution in Aid of Construction	\$2,357,000	\$2,357,000
Accumulated Amortization	<u>(848,500)</u>	<u>(801,360)</u>
	\$1,508,500	\$1,555,640
Retained Earnings	<u>322,259</u>	<u>353,155</u>
	<u>\$2,531,043</u>	<u>\$2,618,620</u>

VILLAGE OF MORRICE
SEWER FUND
STATEMENT OF REVENUES, EXPENSES
AND RETAINED EARNINGS - BUDGET AND ACTUAL
YEARS ENDED FEBRUARY 28, 2005 AND 2004

	<u>2005</u>		<u>2004</u>	
			ACTUAL (OVER) UNDER	
	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>
OPERATING REVENUES:				
Charges for Services	\$115,000	\$100,989	\$ 14,011	\$130,877
Sewer Hook-Ups	17,400	17,400	-0-	16,400
Interest Income	875	1,851	(976)	1,990
Land Rent & Misc.	<u>7,500</u>	<u>4,560</u>	<u>2,940</u>	<u>4,580</u>
	\$140,775	\$124,800	\$ 15,975	\$153,847
OPERATING EXPENSES:				
Salaries	\$	\$ 26,943	\$	\$ 24,547
Fringe Benefits		-0-		-0-
Operating Supplies		6,678		8,651
Repairs & Maintenance		11,220		16,440
Equipment Rental		-0-		12,000
Contracted Services		9,000		9,375
Utilities & Telephone		8,610		8,589
Audit and Legal		6,000		1,438
Interest Expense		41,207		42,553
Amortization-Expense		2,096		2,096
Insurance		4,206		5,000
Depreciation		67,032		60,284
Engineering		9,849		7,643
Lab Testing		<u>3,395</u>		<u>3,454</u>
TOTAL EXPENSES	<u>\$180,775</u>	<u>\$196,236</u>	<u>\$ (15,461)</u>	<u>\$202,070</u>
OPERATING INCOME (LOSS)	\$ (40,000)	\$ (71,436)	\$ 31,436	\$ (48,223)
OTHER FINANCING USES:				
Transfers Out	<u>-0-</u>	<u>(6,600)</u>	<u>(6,600)</u>	<u>(4,400)</u>
	<u>\$ (40,000)</u>	<u>\$ (78,036)</u>	<u>\$ 38,036</u>	<u>\$ (52,623)</u>
NON-OPERATING REVENUES:				
Amortization of Contribution in Aid of Construction		<u>47,140</u>		<u>47,140</u>
NET INCOME (LOSS)		<u>\$ (30,896)</u>		<u>\$ (5,483)</u>
Retained Earnings March 1,		<u>353,155</u>		<u>358,638</u>
RETAINED EARNINGS FEBRUARY 28,		<u>\$322,259</u>		<u>\$353,155</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
STATEMENT OF CASH FLOW
SEWER FUND
YEARS ENDED FEBRUARY 28, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ (30,896)	\$ (5,483)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	67,032	60,284
Amortization-Financing Costs	2,096	2,096
Amortization-Contribution in Aid of Construction	(47,140)	(47,140)
(Increase) Decrease in Accounts Receivable	17,885	(1,592)
Increase (Decrease) in Accounts Payable	(2,502)	1,564
Increase (Decrease) in Due to Other Funds	<u>17,961</u>	<u>2,692</u>
CASH PROVIDED (USED) FROM OPERATING ACTIVITIES	\$ 24,436	\$ 12,421
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(1,050)	-0-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Bonds Payable	<u>(25,000)</u>	<u>(25,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (1,614)	\$ (12,579)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>97,413</u>	<u>109,992</u>
CASH AND CASH EQUIVALENTS END OF YEAR	\$ <u>95,799</u>	\$ <u>97,413</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for:		
Interest	\$ <u>41,670</u>	\$ <u>42,995</u>

DISCLOSURE OF ACCOUNTING POLICY:

For purposes of the Statement of Cash Flows, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of the financial statements.

GENERAL FIXED ASSET ACCOUNT GROUP

To account for fixed assets not used
in proprietary fund operations.

VILLAGE OF MORRICE
GENERAL FIXED ASSET ACCOUNT GROUP
BALANCE SHEET
FEBRUARY 28, 2005

	<u>2-29-04</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>2-28-05</u>
Land	\$ 10,918	\$	\$	\$ 10,918
Buildings & Improve.	606,230	1,653		607,883
Equipment	233,213	53,756	(43,726)	243,243
Vehicles	<u>90,613</u>	<u> </u>	<u> </u>	<u>90,613</u>
	<u>\$940,974</u>	<u>\$55,409</u>	<u>\$ (43,726)</u>	<u>\$952,657</u>

The accompanying notes are an integral
part of the financial statements.

GENERAL LONG-TERM DEBT

To account for the long-term contract
payable for equipment.

VILLAGE OF MORRICE
GENERAL LONG-TERM DEBT ACCOUNT GROUP
FEBRUARY 28, 2005

	<u>BALANCE</u> <u>2-29-04</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u> <u>2-29-05</u>
Lease/Purchase - 2001				
Ford Crown Victoria	\$ 10,450	\$	\$ 7,749	\$ 2,701
Loan Payable - 1998				
Chev. Dump Truck	<u>5,559</u>		<u>5,094</u>	<u>465</u>
	<u>\$ 16,009</u>	<u>\$ -0-</u>	<u>\$12,843</u>	<u>\$ 3,166</u>

The accompanying notes are an integral
part of the financial statements.

DOWNTOWN DEVELOPMENT AUTHORITY

The Downtown Development Authority (DDA) Fund is used to account for the operations of the Morrice DDA. Financing for DDA operations was provided by the General Fund. Resources of this fund are used for the administration of the Authority and planning of improvements in the downtown district.

VILLAGE OF MORRICE
DOWNTOWN DEVELOPMENT AUTHORITY
FEBRUARY 28, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
Cash	\$ <u>311</u>	\$ <u>230</u>

LIABILITIES AND FUND BALANCE

Fund Balance	<u>311</u>	<u>230</u>
	\$ <u>311</u>	\$ <u>230</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF MORRICE
DOWNTOWN DEVELOPMENT AUTHORITY
YEARS ENDED FEBRUARY 28, 2005 AND 2004

		<u>2005</u>		<u>2004</u>
	<u>AMENDED</u> <u>BUDGET</u>	<u>ACTUAL</u>	ACTUAL (OVER) UNDER <u>BUDGET</u>	<u>ACTUAL</u>
Revenues:				
Interest Income	\$ _____	\$ <u>3</u>	\$ <u>(3)</u>	\$ <u>1</u>
TOTAL REVENUES	\$ _____	\$ <u>3</u>	\$ <u>(3)</u>	\$ <u>1</u>
EXPENDITURES:				
Office Expense	\$ _____	\$ _____	\$ _____	\$ _____
Master Plan Dev.	_____	<u>922</u>	_____	<u>2,087</u>
TOTAL EXPENDITURES	\$ _____	\$ <u>922</u>	\$ <u>(922)</u>	\$ <u>2,087</u>
EXCESS OF EXPENDITURES OVER REVENUES	\$ _____	\$ <u>(919)</u>	\$ <u>(919)</u>	\$ <u>(2,086)</u>
OTHER FINANCING SOURCES:				
Transfers In	_____	<u>1,000</u>	<u>(1,000)</u>	<u>2,200</u>
EXCESS REVENUES AND OTHER SOURCES OVER EXPENDITURES	\$ _____	\$ <u>81</u>	\$ <u>81</u>	\$ <u>114</u>
Fund Balance March 1,		<u>230</u>		<u>116</u>
FUND BALANCE, FEBRUARY 28,		\$ <u>311</u>		\$ <u>230</u>

The accompanying notes are an integral part of the financial statements.



DEMIS and WENZLICK, P.C.

Certified Public Accountants

217 N. Washington Street
Pabst Building, Suite 201
Owosso, MI 48867

989-723-8227 • FAX 989-725-5143
E-MAIL office@dw-cpa.com

James Demis, Jr., C.P.A.
LaVearn G. Wenzlick, C.P.A.
Lori S. Chant, C.P.A.
Geraldine Terry, C.P.A.

Carol A. Demis
Jeanette Gaitskill
Janet E. Guru
Greg Irish
Janis K. Mead
Tammy Pappas
Peggy Ryan
Joyce M. Simmons
Gail Winnick, C.P.A.

Members of the Village Council
Village of Morrice
Morrice, Michigan 48857

In compliance with the provisions of Section 11, Paragraph 2, of Act 2, Public Acts of 1968, we wish to render our report of comments and recommendations which were formulated as a result of the examination our firm performed on the financial statements of the Village of Morrice for the year ended February 28, 2005.

PROPERTY TAXES

Delinquent personal property taxes are not paid by the county. It is the Village's responsibility to collect these taxes. There should be more effort to collect these unpaid taxes from prior years. Reports should be given to the council that give the status of these delinquents.

BUILDING PERMITS

The Michigan Public Act 245 of 1999 requires building permits to be accounted for separately from General Fund monies. The state strongly recommends a separate fund be established to account for these funds. At a minimum, worksheets should be prepared that show that the expenses of managing this department exceeds the revenues generated.

BEGINNING BALANCES

We noted that the Village's general ledger does not agree to the audit report. Among other reasons, year end adjusting journal entries are not being posted to the ledger.

In order to maintain strong internal controls, the beginning balance of accounts should be reconciled to the audit and then unchanged. When using your software, the audit trail feature should be used to show detail of changes made.

DUPLICATE CHECK

We found a duplicate payment. This situation is yet to be remedied. Additional information has been provided to the Village.

ACCOUNTS RECEIVABLE

We noted that a few accounts receivable have remained uncollected from prior years. We recommend that periodic attempts are made to collect money that is owed to the Village of Morrice. Any write offs as uncollectible should be approved by the council.

TRANSFER STATION FUND DEFICIT

PA 275 of 1980 prohibits a fund deficit. The Transfer Station has incurred a fund deficit this fiscal year that will result in the filing of a deficit elimination plan. We can assist in this preparation. The Village may want to review rates.

COMPUTER PRINT OUTS

The staff was unable, at times, to print certain historical data from the sewer billings. It is inevitable that there will be computer or software problems. We recommend that a paper print out of sewer billings, collections and receivables be made and retained in a binder.

We further recommend that all Village work on the computer be done on the premises of the Village Hall.

PAYABLE FOR 2001 TAXES

The Village owed property tax refunds since 2001. During this fiscal year, the Village overpaid on these obligations. The Village should make certain to pay out only actual amounts owed.

SALARY TRANSFERS

The monthly salary transfer was not made for February 2004 or February 2005. The Village must be certain that these transfers are made in order for the expense to be properly classified.

LOCAL STREETS FUND DEFICIT

P.A. 275 of 1980 prohibits a fund deficit. The Local Streets has incurred a fund deficit this fiscal year that will result in the filing of a deficit elimination plan. We can assist in this preparation. The Village may want to review the amount transferred from Major Streets.

SENIOR CENTER SALARIES

The Village established a Senior Center Fund during the year. This fund's salaries were paid by the General Fund, but the General Fund was never reimbursed for these expenditures. We recommend you make appropriate transfers to reimburse General Fund for salary expenses.

We wish to thank the Council for the excellent cooperation we received in performing the Village audit. If we can be of any further assistance to the Village in any future matters, please do not hesitate to contact us.

Sincerely yours,

Dennis and Wengrich, P.C.

Certified Public Accountants